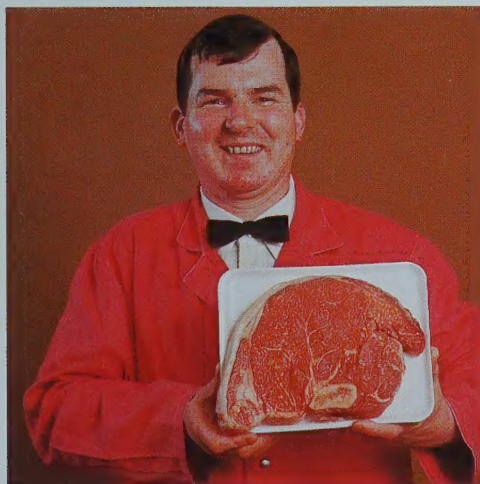


THE BOARD OF DIRECTORS
OF DOMINION STORES LIMITED
PRESENTS THE 55TH ANNUAL REPORT
TO THE SHAREHOLDERS

FISCAL YEAR ENDED MARCH 22, 1975



TRULY CANADIAN



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Version française — On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto, Ontario M6M 1B9

Shareholders' Auditors

Coopers & Lybrand, Toronto

Bankers

Bank of Montreal

Banque Canadienne Nationale

Banque Provinciale du Canada

Canadian Imperial Bank of Commerce

The Bank of Nova Scotia

The Royal Bank of Canada

The Toronto-Dominion Bank

First National Bank, Palm Beach

Transfer Agents

Crown Trust Company

Toronto, Montreal and Vancouver

Canada Permanent Trust Company

Halifax and Saint John

Bankers Trust Company, New York

Registrars

Crown Trust Company,

Toronto, Montreal and Vancouver

Canada Permanent Trust Company,

Halifax and Saint John

Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held in the Canadian Room at the Royal York Hotel, 100 Front Street West, Toronto, on Friday, the 8th day of August, 1975 at the hour of 11:00 a.m. (Toronto time).

Comparative Highlights

	For the Years Ended	
	March 22, 1975 (52 Weeks)	March 23, 1974 (53 Weeks)
Net Earnings	\$ 17,009,488	\$ 13,279,416
per dollar of sales.....	1.03¢	1.01¢
per share of common stock.....	\$ 2.02	\$ 1.60
Sales	\$1,649,501,522	\$1,320,732,067
(An increase of \$328,769,455 or 24.89%)		
Dividends	\$ 6,928,015	\$ 5,984,155
per share of common stock.....	82¢	72¢
Working Capital	\$ 53,545,359	\$ 27,917,963
Ratio of Current Assets to Current Liabilities	1.73	1.42
Total Reinvested Earnings	\$ 89,196,186	\$ 79,114,713
Shareholders' Equity	\$ 110,485,251	\$ 97,955,491
Number of Stores at End of Year	391	394
Ground Floor Area—Retail (square feet) ..	6,517,748	6,253,712

Directors and Management

Directors

*JOHN A. McDOUGALD
*Chairman of the Board and
Chairman of the Executive Committee*

†*THOMAS G. McCORMACK
*Vice-Chairman of the Board and
Chief Executive Officer*

LEWIS H. M. AYRE
*GEORGE M. BLACK, Jr.
†*A. BRUCE MATTHEWS

†*ALEX E. BARRON
*THOMAS G. BOLTON
*MAXWELL C. G. MEIGHEN
MITCHELL L. WASIK

*STEWART G. BENNETT
PIERRE PAUL DAIGLE
†ANDRE MONAST, Q.C.

*Executive Committee

†Audit Committee

Corporate Management

THOMAS G. McCORMACK
Vice-Chairman of the Board and Chief Executive Officer

THOMAS G. BOLTON
President
W. FRANK CAPSTICK
*Senior Vice-President,
Retail Operations*

ALLISTER M. MACDONALD
*Vice-President,
Real Estate and Development*

ALLEN C. JACKSON
Executive Vice-President

RICHARD J. O'BRIEN
*Vice-President,
Advertising*

JOHN C. TOMA
*Vice-President,
Merchandising*
MITCHELL L. WASIK
Secretary

A. WILLIAM TOMLIN
*Vice-President,
Finance*
E. CLIFFORD WENT
Vice-President, Administration

Divisional Management

REAL BROUILLETTE
Quebec

RONALD C. HYNE
Hamilton, South-Western Ontario

JAMES A. MALCOLM
*Western Canada, North Central and
Eastern Ontario*

RUSSELL L. NETHERTON
Toronto Districts

GILBERT VIENNEAU
Atlantic Provinces

District Management

CARL F. ARMSWORTHY
St. John's, Nfld.

JOHN N. CAMPBELL
Toronto, Ontario

JAMES F. EARLE
Halifax, N.S.

FRANCOIS GIRARD
Quebec, Quebec

BARRY HAGAN
Sudbury, Ontario

ELTON C. HAINES
Saint John, N.B.

EDWARD C. KERR
Winnipeg, Manitoba

ROBERT LAMOUREUX
Montreal, Quebec

RAYMOND LUCYSHYN
Hamilton, Ontario

RAYMOND MENARD
Montreal, Quebec

JOHN PANDER
Toronto, Ontario

GARRY W. POTTER
Toronto, Ontario

JOHN I. QUINN
Windsor, Ontario

HARRY TAYLOR
Ottawa, Ontario

Special Management

DONALD H. BLAIR
Director of Labour Relations

ERVIN F. CAVEN
Director of Personnel

ALBERT DAVID
Director of Special Projects

STANLEY P. GIBSON
Director of General Merchandise

JOHN R. MORRISON
General Counsel

KENNETH E. WESTLIN
Comptroller

Annual Report to Shareholders

The fiscal year ended March 22, 1975 was a successful business year for Dominion Stores Limited. In an intensely competitive environment, your Company increased its share of public patronage and strengthened its position in the marketplace, so that shareholders may have confidence in the continued growth and continued leadership of Dominion in the food retailing industry.

Each year in the Annual Report, your Directors present the financial facts of the year's operation and offer an interpretation of these facts, placing them in perspective for shareholders. Each year of accelerating inflation makes this analysis more difficult. The Company's total sales of \$1.6 billion in the fiscal year just completed were more than triple the volume of 1966. Net earnings were \$17,010,000.

There was a 24% increase in total sales and a 28% increase in net earnings, compared with the previous year. However, the fact is that earnings per dollar of sales remained very close to the 1¢ level, an extremely narrow margin of return. It provides insufficient resources for the shareholders in the form of dividends and for the expansion of the enterprise in the form of increased investment.

In the year under review the Company, and the food industry generally, have made some progress in communicating to the public, and

to the news media, that we are among the victims of inflation rather than the cause of it. There was in the period a noticeable decline in criticism as a result of price increases. The shopping public appears to have recognized that price increases at the retail level are a reflection of many other factors.

The Food Prices Review Board deserves the approval and support of the public, of government and of industry, for the success it has had in analyzing food cost factors. It has provided accurate, well documented information and, above all, has established that in general, food price movements are the results of a complex set of influences rather than the effect of the operation of a single factor or segment.

For example, world grain reserves remain low. Basic food prices are in great measure dependent upon annual crop production. In periods when reserves are low, weather naturally becomes a more crucial factor in supplying current demands and in the determination of food prices.

In the latter part of the fiscal year there were discernible shifts in purchasing patterns. While it is not possible to draw long-term conclusions, and although not all consumers were apparently contributing to the changing patterns, the situation is being closely watched by your Company. The shift, reflecting economic circumstances, is in the direction of lower priced, less highly processed and, less "convenient" items. The more basic food products were, as the year closed, enjoying greater consumer favour.

In its marketing and communications programmes during the year the Company responded to consumer interest and the economic situation by featuring information on nutrition and economies in food purchasing.

While our economy continues to cope with heavy inflation we do know that the food industry, of which Dominion is a part, normally performs better than many other industries under similar economic circumstances.

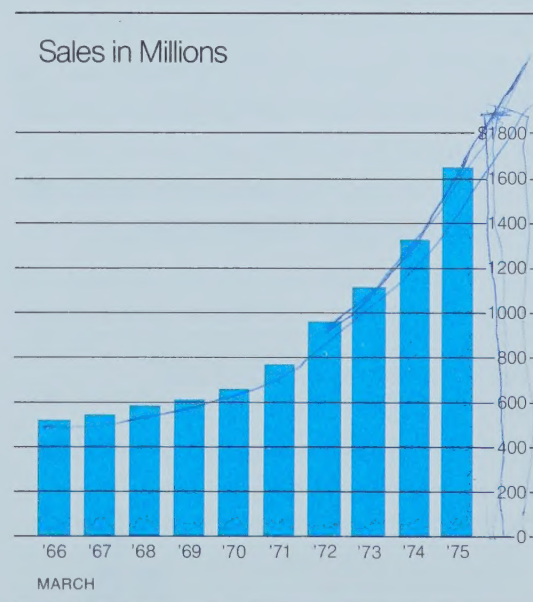
Canada's economic difficulties cannot be solved by government alone. Business, industry, organized labour, consumers and others, all should be able to contribute to the achievement of consensus of national policies, particularly in a time of decreased economic vigor. Questions related to resource development, energy supplies, productivity, environmental improvement, social benefits, ownership of Canadian industry, exemplify areas in which the views of the private sector are essential if workable policies are to be developed. Industry, no doubt, requires a clearer understanding of government's problems and is prepared to listen to government. Government needs a better understanding of the potential contribution of private enterprise and of the constructive role and true desirability of profits.

The already high level of taxation has been made even higher as the result of inflation. Income taxes alone increased by 42% compared with an earnings increase of 28%. The combination of the surtax on last year's operations, combined with the discriminatory

income tax rate applied to retailing and not to manufacturing and processing industries, had a substantial negative impact on your Company's earnings, and significantly restricted its cash flow.

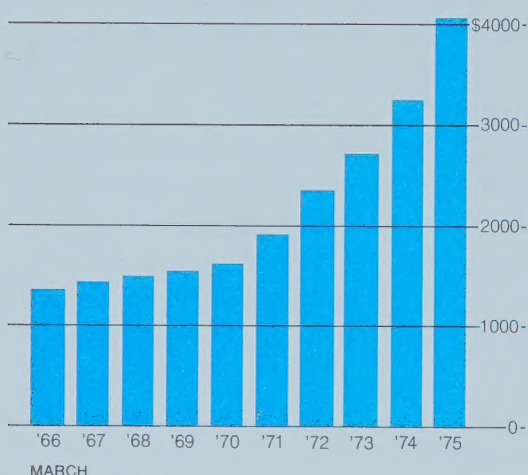
Your Company has worked closely with other segments of the food industry in the implementation of the Universal Product Code, a system of product identification which, in the future, will be of benefit to the consumer and will have an important bearing on food distribution, on inventory control and on improvements in the pricing and store check-out systems.

Sales



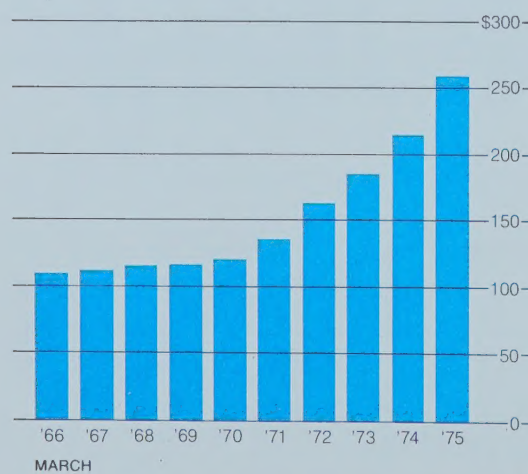
For the 52 weeks ended March 22, 1975 sales amounted to \$1,649,502,000 compared with \$1,320,732,000 for the 53 weeks ended March 23, 1974, an increase of 24.89%. On a normal 52 week comparison, the sales increased 27.28%.

Average Annual Sales per Store (000)



The introduction of your Company's new merchandising policy in November of 1970 resulted in a dramatic customer response. The accompanying charts depicting average sales per store and annual sales per square foot of ground floor area, clearly indicate the recognition and response by the consumer.

Annual Sales per Square Foot of Ground Floor Area

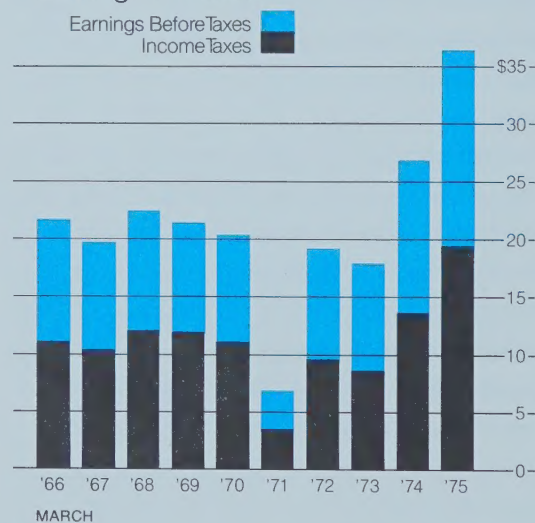


Earnings

Net earnings for the 52 weeks were \$17,010,000 compared with \$13,279,000 in the 53 weeks ended March 23, 1974. However, earnings of 1.03¢ per dollar of sales were approximately the same in both years.

The accompanying chart depicts net earnings over the past ten years. This sets out clearly the heavy burden of taxes borne by the Company and emphasizes the importance of adequate earnings when such a large proportion is appropriated by government.

Earnings in Millions



Financial Resources

Working capital at March 22, 1975 amounted to \$53,545,000 compared with \$27,918,000 at March 23, 1974. On March 3, 1975 your Company's working capital position was substantially strengthened by the issue, through private placement, of \$25 million Series E 9½% Debentures, maturing March 1, 1980.

Over the past ten years total capital expenditures have amounted to \$168,000,000. Most of these funds were generated internally, supplemented by two issues of debentures. This has enabled the Company to open 165 new stores and to update and modernize about the same number of the remaining stores. Thus, of the 391 stores operating at March 22, 1975 almost 85% have either been opened or modernized in this 10 year period.

During the same period the Company built, and then enlarged, its main Toronto Distribution Centre, one of the largest and most modern anywhere. A new Distribution Centre was built in Halifax, N.S., our Montreal Distribution facilities were greatly expanded and a new automated Frozen Food Distribution facility was developed in Toronto.

Shareholders

Dividends during the fiscal year were at the regular annual rate of 72¢ per share, plus a special extra dividend of 10¢ per share paid June 15, 1974. Total dividends paid were \$6,928,000.

Your Directors were pleased to be able to declare a similar special extra dividend of 10¢ per share, payable June 16, 1975.

The Annual Meeting of Shareholders will be held this year in the Canadian Room of the Royal York Hotel, 100 Front Street West, Toronto, on Friday August 8, 1975 at 11:00 a.m. Toronto time.

Planning and Development

Thirteen new supermarkets were opened in the fiscal year, having 365,000 square feet of ground floor area, and an average size of approximately 28,000 square feet.

Five stores were substantially enlarged and a further 15 stores were remodeled and modernized. Sixteen smaller stores were closed.

The enlargement of the Toronto Distribution Centre was completed and a new mechanized Toronto Frozen Food facility was placed in operation. Montreal Distribution facilities were increased by the addition of 231,000 square feet of leased space.

During the year, we were pleased to report the acquisition of a majority interest in the Willett Fruit Company Limited, of Saint John, New Brunswick, a long established distributor of groceries, fruits and vegetables. Willett's has been a supplier of Dominion for many years.

In the current year, Dominion plans to open twelve new supermarkets, adding 336,000 square feet of ground floor area. In addition, our on-going programme of store enlargements and modernizations will be continued.

In Appreciation

Your Directors sincerely appreciate the contribution to the year's achievements by employees at all levels. Their interest and support is of the utmost importance to the success of the Company.

Our thanks and appreciation are also extended to our customers for their constantly increasing support, our landlords, our thousands of suppliers and our shareholders, who make possible the existence and operation of Dominion Stores Limited.

For the Board of Directors,

JOHN A. McDOUGALD
Chairman of the Board

THOMAS G. BOLTON
President

\$1,096,000
63.5%

Consolidated Statements of Earnings and Reinvested Earnings

Consolidated Statement of Earnings

	For the Years Ended	
	March 22, 1975 (52 weeks)	March 23, 1974 (53 weeks)
	(in thousands of dollars)	
Sales	\$1,649,502	\$1,320,732
Cost of goods sold and expenses except those shown below	1,387,735	1,111,015
Employees' salaries and benefits.....	200,441	161,741
Depreciation.....	12,331	10,795
Municipal taxes.....	8,935	7,919
Interest on long-term debt.....	2,407	2,312
Other interest.....	1,989	580
Investment income.....	(655)	(381)
	<u>1,613,183</u>	<u>1,293,981</u>
Earnings before taxes on income	36,319	26,751
Taxes on income	<u>19,158</u>	<u>13,472</u>
Net earnings before minority interest	17,161	13,279
Minority interest	<u>151</u>	<u>—</u>
Net earnings for the year (note 2).....	<u>\$ 17,010</u>	<u>\$ 13,279</u>
Earnings per share (note 5).....	<u>\$ 2.02</u>	<u>\$ 1.60</u>

Consolidated Statement of Reinvested Earnings

	For the Years Ended	
	March 22, 1975 (52 weeks)	March 23, 1974 (53 weeks)
	(in thousands of dollars)	
Reinvested earnings, beginning of year—		
As previously reported.....	\$ 80,232	\$ 72,552
Adjustments relating to prior years' inventory valuation (note 2).....	<u>(1,118)</u>	<u>(733)</u>
As restated	79,114	71,819
Net earnings for the year (note 2).....	17,010	13,279
Dividends.....	<u>(6,928)</u>	<u>(5,984)</u>
Reinvested earnings, end of year	<u>\$ 89,196</u>	<u>\$ 79,114</u>



The President's Report to Company Employees

Published as an Appendix to the 55th Annual Report to the Shareholders.

Greater Productivity Key to Record Year

THE mailing of this report to all Company employees and its inclusion in the Annual Report to our Shareholders is, I believe, indicative of the importance placed upon the human resources which represent the core of our Corporate success.

People are the essence of Dominion — and to each of you on the Dominion team, on behalf of our Shareholders, Directors, and Management, — I extend my sincere congratulations, for a job well done.

Last year, you — our valued employees served 150 million individual shoppers in our stores, accounting for record sales of \$1,649,502,000. — the highest sales ever reached by a retail food distributor in Canada. It is my personal assessment that this level of performance by Dominion people is clear testimony to this fact: Dominion excels in variety, quality and competitive prices, but the essential difference between Dominion and other stores is people...productive people who individually put into the business at very least what they get out of it — a full measure of personal satisfaction and growth — and the knowledge that a dedicated contribution to Company goals is rewarded by a sense of fulfillment and security.

It is the strong alliance and mutual respect existing between Dominion people and the Canadians who shop in our stores which underlies our increasing acceptance — and leadership.

This superlative relationship between our dedicated staffs and our loyal customers is much more than a casual one. In exchange for the products and service which we offer, our customers' purchases, in point of fact, contributed the over \$200 million necessary to fulfill the wages and benefits paid by the Company to our over 25,000 employees, last fiscal year. This sum which is the sole source of our personal and corporate welfare represented the second largest commitment to operations which was made from the Company's sales dollar — next to the actual cost of merchandise sold.

I urge each of you to reflect upon the continuing importance to you personally of each individual customer who visits our stores; and to study the following pages, which illustrate some of the important highlights, activities and opportunities of the Company which each of you make possible.

I know that the demand for increased productivity to be made upon the Company as a whole in the coming year, will be handsomely met by each one of you — in the Dominion tradition. Thank you.

Thomas G. Bolton
President



Head Office
Toronto, Ontario

Employees' share in the Company's Sales Progress



Distribution of Company
Income on a typical

\$30. order

EXPENSES
**salaries
AND
benefits**

\$3⁶⁵

Was paid to
Employees
in Salaries
and Benefits

\$25³⁸

Was used to
purchase
merchandise and
for operating expenses

66¢

Was paid to
Federal, Provincial
and Municipal
Governments in Taxes

13¢

Was paid in Dividends
to Shareholders as a
return on their
investment

18¢

Was reinvested in the
Company to make
future growth
possible

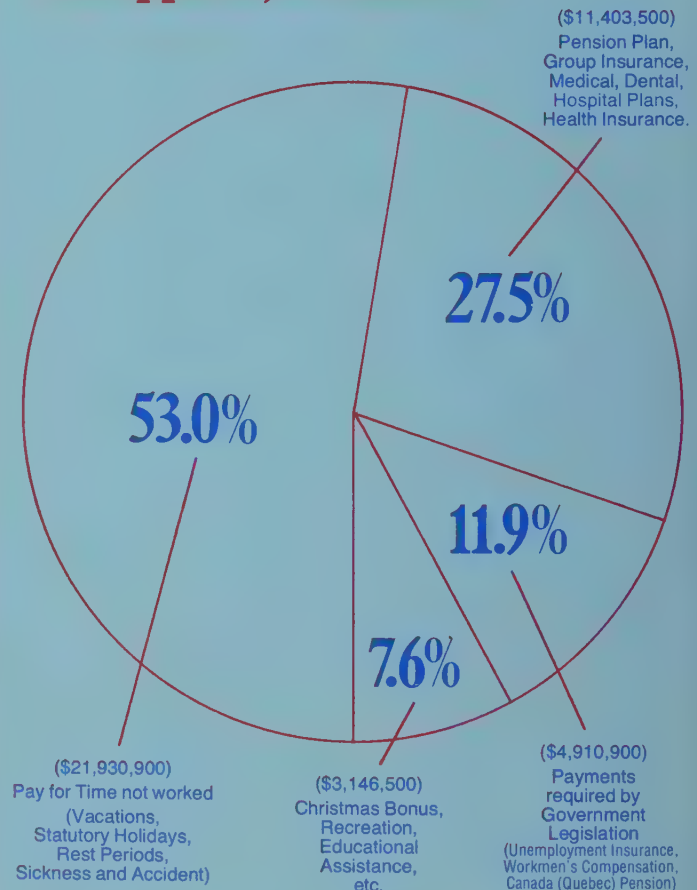
Benefits-The Invisible Part of the Total Wage 'Package'

The plans and provisions for employee compensation provided by the Company, which are over and above the basic direct rate of pay is a meaningful way to 'take stock' of the personal and family security which stems from employment at Dominion.

An example of the Company's aim to provide a satisfactory standard of living for all employees is found in the fact that between 1965 and last fiscal year, total Wages and Benefits on an annual basis, grew from \$53.8 million to \$200.4 million—an increase of 272%; while Benefits grew from \$10.8 million to \$41.3 million in the same period—an increase of 282%.

Thus, an essential priority in our corporate progress remains the continued growth of Company sales and a sustained achievement of personal productivity on the job.

The Benefit Dollar of \$41,391,800. was applied, as follows:



Productivity = Sales = Benefits

Quarter Century Club represents over 10,000 years Experience



The strength, experience and continuity of any organization is measured by the number of loyal and dedicated long-service employees in its ranks, at all levels of the operation. Dominion's Quarter Century Club now numbers 431 active members, including 58 women — represented by a recent new member Mrs. Mary Smith shown above being congratulated by Company President, Mr. Thomas G. Bolton who is also a member of the Club. The contribution over the years to the Company's progress made by the Quarter Century Club membership stands as an inspiration to those who will follow in their footsteps.

Training Leaders of the Future



The rapid development of new technology in every phase of distribution places new emphasis on a host of specialized Training Programs throughout the Company, which offer employees opportunities for advancement in an ever-challenging and fascinating business. The rewards of the future await the ambitious young men and women, at Dominion.

Employees Proudly Explain Services in Advertising

Last fiscal year actual Dominion employees were selected to tell the Dominion story in advertising — in newspaper advertisement and television, thus increasing the public's awareness and appreciation of the many shopper benefits at Dominion. Dominion is proud of its efficient people, who are second to none in the industry. A typical 2-Page newspaper advertisement in our 'people' campaign reproduced below, depicts our most famous product: friendly people.

We help put the quality into Dominion.

15 Grade Turkey	49c	Jack's Potato Chips	48c
Cooked Ham	58c	Pork Shoulder	52c
Paper-Coke	25c	Kraft Cheese Slices	46c
Work Burt	62c		

Friendly courtesy. Or our name isn't Dominion.

Consumer Advisory Council Monitors Public Opinion



During the last year the Company established a rotating panel of women, who meet regularly at Head Office to dialogue on all matters considered of prime importance in food shopping from the shopper's point of view. Consumer attitudes and preferences are of increasing importance and our Consumer Council provides a relevant and practical "listening post" on Consumer affairs. The Council is shown above with Mr. J. A. Higginson, Manager of Consumer Relations.

Participation in Community Affairs Vital to Successful Operations

From its beginning, Dominion has recognized that the key to successful integration in the marketplace is to assure the enterprise remains consistently relevant to the community it serves; that its policies and procedures reflect the fabric of each individual area, as well as the character of its people.

On many fronts, Dominion is active in the community, providing particular services, as well as assisting the specialized needs of its citizens —

from locating modern supermarket facilities in urban areas where none existed, to professional information on nutrition and food purchase economies.

Shown on Right — Mrs. Louise Desaulniers, one of Dominion's home economists addressing a large group of women in Montreal, on the subject of nutrition.

Shown Below — Mrs. Margaret Campbell, member of the Ontario Legislature officiating at the recent opening of a new Dominion in downtown Toronto — serving the predominate number of senior citizens in the area. Mr. T. G. Bolton, President helps Mrs. Campbell cut the red tape.



Cash Tape Program Involves Community

A unique example of Dominion's participation in community projects is the Company's cash tape program now serving close to 3,000 individual Church Club and Charitable institutions through an estimated 100,000 participating families. The program now in its 18th year, is Dominion's way of helping worthy causes. Customer involvement continues to grow each year.

Shown in photo at right — Mr. John R. Hastings, administrator of the North Bay Civic Hospital, receiving a second artificial kidney machine, donated by Mr. Bruce Scott (at left in photo), as a result of his campaign to collect Dominion cash register tapes. Mr. Brian Dollar, Store Manager, is shown in the centre of the photo, during the presentation.



Consolidated Statement of Changes in Financial Position

Source of Funds

	For the Years Ended	
	March 22, 1975 (52 weeks)	March 23, 1974 (53 weeks)
	(in thousands of dollars)	
Net earnings for the year	\$17,010	\$13,279
Charges not requiring cash outlay:		
Depreciation	12,331	10,795
Disposal of fixed assets	(15)	982
Deferred income taxes	905	255
Income from investment in effectively controlled company (note 1)	(258)	(153)
Funds generated from operations	29,973	25,158
Issue of long-term debt	25,000	—
Proceeds from disposal of fixed assets	2,698	1,341
Proceeds from shares issued under the stock option plan (note 5)	2,448	142
Minority interest	781	—
	<u>60,900</u>	<u>26,641</u>

Use of Funds

Investment in fixed assets	25,831	24,411
Dividends	6,928	5,984
Reduction of long-term debt	2,387	950
Increase (decrease) in mortgages and other investments	127	(651)
	<u>35,273</u>	<u>30,694</u>
INCREASE (DECREASE) IN WORKING CAPITAL	25,627	(4,053)
WORKING CAPITAL—BEGINNING OF YEAR	<u>27,918</u>	<u>31,971</u>
WORKING CAPITAL—END OF YEAR	<u>\$53,545</u>	<u>\$27,918</u>

Consolidated Balance Sheet as at March 22, 1975

	March 22, 1975	March 23, 1974
<i>(in thousands of dollars)</i>		
Assets		
CURRENT:		
Cash.....	\$ 2,732	\$ 3,831
Short term investments	15,000	—
Accounts receivable.....	6,391	4,551
Mortgages receivable.....	647	280
Merchandise (notes 1 and 2)	100,494	84,597
Prepaid expenses.....	1,097	1,055
Deferred income taxes.....	298	161
	<u>126,659</u>	<u>94,475</u>
MORTGAGES AND OTHER INVESTMENTS—at cost.....	<u>1,218</u>	<u>1,091</u>
INVESTMENT IN AN EFFECTIVELY CONTROLLED COMPANY (note 1).....	<u>2,515</u>	<u>2,257</u>
FIXED ASSETS (note 1):		
Store, warehouse and office equipment.....	136,771	122,305
Buildings and leasehold improvements.....	52,688	47,909
	<u>189,459</u>	<u>170,214</u>
Accumulated depreciation.....	88,510	80,196
	<u>100,949</u>	<u>90,018</u>
Land.....	9,515	9,629
	<u>110,464</u>	<u>99,647</u>
	<u>\$240,856</u>	<u>\$197,470</u>

Liabilities

March 22,
1975 March 23,
1974
(in thousands of dollars)

CURRENT:

Bank indebtedness.....	\$ —	\$ 7,468
Accounts payable and accrued expenses.....	60,309	49,311
Income and sundry taxes.....	10,072	9,691
Current portion of long-term debt.....	<u>2,733</u>	<u>87</u>
	73,114	66,557
DEFERRED INCOME TAXES.....	8,560	7,655
LONG-TERM DEBT (note 4).....	47,916	25,303
MINORITY INTEREST.....	<u>781</u>	<u>—</u>
	<u>130,371</u>	<u>99,515</u>

Shareholders' Equity

CAPITAL STOCK (note 5):

Authorized—20,000,000 common shares without nominal or par value.		
Issued and fully paid— 8,509,691 shares (1974—8,319,136 shares).....	21,289	18,841
REINVESTED EARNINGS.....	<u>89,196</u>	<u>79,114</u>
	<u>110,485</u>	<u>97,955</u>
	<u>\$240,856</u>	<u>\$197,470</u>

Signed on behalf of the Board —
JOHN A. McDOUGALD, T. G. BOLTON
Directors

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

(i) Principles of consolidation—

The accompanying financial statements consolidate the accounts of Dominion Stores Limited and all its subsidiaries.

(ii) Investment in an effectively controlled company—

The equity method of accounting has been used to account for the investment in the effectively controlled company.

(iii) Merchandise—

Merchandise is located at both stores and warehouses. These inventories have been valued at the lower of cost and market. The term "market" as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

(iv) Fixed assets—

Fixed assets (including significant renewals and betterments) are capitalized at cost. Provisions for depreciation are determined on a straight-line basis over the estimated useful lives of the assets as follows:

Store, warehouse and office equipment	3 to 10 years
Buildings	40 years
Leasehold improvements	term of lease

2. ACCOUNTING CHANGE

During the year the company changed its method of determining cost of merchandise inventories to give recognition to the effect of earned cost reductions. Heretofore, these items were treated as income without any effect on inventory valuation. The effect of this accounting change was to reduce net earnings by \$210,000, \$385,000 and \$733,000 for the years 1975, 1974 and years prior to 1974 respectively. Comparative figures for the year ended March 23, 1974 have been restated as necessary. Reinvested earnings at the beginning of 1975 have been restated to show a retroactive change of \$1,118,000 being the cumulative effect of reductions in net earnings of previous years.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

In each of the fiscal years ending in 1975 and 1974, the company had twelve directors and twelve senior officers (eleven in 1974), four of whom were also directors. The aggregate remuneration of directors as such was \$56,000 (1974—\$53,000) and of senior officers as such was \$1,003,000 (1974—\$930,000).

4. LONG-TERM DEBT

	March 22, 1975 \$	March 23, 1974 \$
Redeemable sinking fund debentures		
4¼% Series "B"— maturing November 1, 1975 . .	2,390,000	2,435,000
5½% Series "C"— maturing December 1, 1976 . .	2,015,000	2,142,000
9¼% Series "D"— maturing December 1, 1990 . .	20,000,000	20,000,000
9½% Series "E" debentures maturing March 1, 1980	25,000,000	—
Mortgages payable bearing interest at rates ranging from 6% to 9¼%	1,244,587 50,649,587	813,231 25,390,231
Deduct: current portion included in current liabilities	2,733,356 47,916,231	87,240 25,302,991

The principal amounts remaining to be paid in the next five fiscal years are:

Fiscal years ending March 1976	\$ 2,733,000
1977	2,312,000
1978	1,361,000
1979	1,228,000
1980	26,228,000

5. STOCK OPTION PLAN

Pursuant to an employees' stock option plan adopted by the company on August 26, 1969, 128,338 unissued common shares of the company are reserved as at March 22, 1975. During the year no shares were allotted but 190,555 shares were issued for cash of \$2,448,287 upon exercise of stock options granted in prior years. Of the options granted to date, the following remain to be exercised (including options on 71,339 shares to senior officers, two of whom are also directors):

Number of shares	Option price \$	Expiry Date
750	12.125	August 16, 1975
4,604	13.38	August 22, 1976
92,500	14.13	November 18, 1978

The exercise of these options would have no material effect on the reported earnings per share.

6. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, for each of the periods shown below, is as follows:

	March 22, 1975 \$	March 23, 1974 \$
Within 10 years.....	149,335,000	131,305,000
Within the next 5 years..	54,454,000	49,732,000
Within the next 5 years..	35,959,000	32,012,000
Within the remainder of the term.....	12,565,000	12,659,000
	<u>252,313,000</u>	<u>225,708,000</u>
Minimum annual rentals payable under such leases are.....	<u>19,639,000</u>	<u>17,584,000</u>

Certain leases contain an option to cancel. Should the company exercise these options, it could be required to purchase the related properties.

7. PENSION PLAN

As of January 1, 1975, the estimated unfunded liability amounted to approximately \$17,910,000. This liability is being funded over 15 years by means of annual payments of approximately \$1,645,000. These payments are being charged against operations in the year in which they are made.

Subsequent to March 22, 1975 the company made certain revisions to the pension plan to provide for increased benefits to its employees. As a result, the past service unfunded liability will increase by approximately \$8,418,000 to be funded over the same period noted above.

Auditors' Report to the Shareholders

COOPERS & LYBRAND

Chartered Accountants

145 King Street West
Toronto, Ontario

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 22, 1975 and the consolidated statements of earnings, reinvested earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 22, 1975 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of valuing inventories as set out in note 2 to the financial statements, on a basis consistent with that of the preceding year.

with which we concur.

Coopers & Lybrand

April 16, 1975

CHARTERED ACCOUNTANTS

\$ 45,200

Ten Year Financial Summary *(dollars in millions)*

As at fiscal years ended March:	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
TOTAL ASSETS	<u>\$240.8</u>	<u>\$197.5</u>	<u>\$168.9</u>	<u>\$165.5</u>	<u>\$157.0</u>	<u>\$136.0</u>	<u>\$126.3</u>	<u>\$116.1</u>	<u>\$108.2</u>	<u>\$104.3</u>
CURRENT ASSETS	\$126.6	\$ 94.5	\$ 76.7	\$ 76.2	\$ 69.1	\$ 56.1	\$ 51.2	\$ 51.5	\$45.0	\$ 47.8
CURRENT LIABILITIES	<u>73.1</u>	<u>66.6</u>	<u>44.7</u>	<u>46.1</u>	<u>42.0</u>	<u>37.7</u>	<u>32.5</u>	<u>25.8</u>	<u>21.7</u>	<u>21.1</u>
WORKING CAPITAL	<u>\$ 53.5</u>	<u>\$ 27.9</u>	<u>\$ 32.0</u>	<u>\$ 30.1</u>	<u>\$ 27.1</u>	<u>\$ 18.4</u>	<u>\$ 18.7</u>	<u>\$ 25.7</u>	<u>\$ 23.3</u>	<u>\$ 26.7</u>
Working Capital Ratio	1.7	1.4	1.7	1.7	1.6	1.5	1.6	2.0	2.1	2.3
OTHER ASSETS	\$ 3.7	\$ 3.4	\$ 3.8	\$ 3.9	\$ 3.8	\$ 1.5	\$ 1.1	\$ 1.2	\$ 1.7	\$.3
NET FIXED ASSETS	110.5	99.6	88.4	85.4	84.1	78.4	74.0	63.4	61.5	56.2
DEFERRED INCOME TAXES	8.5	7.6	7.4	7.2	6.3	5.5	4.7	4.0	3.9	3.5
MINORITY INTEREST .....	.8	—	—	—	—	—	—	—	—	—
LONG-TERM DEBT (excludes current portion)	<u>47.9</u>	<u>25.3</u>	<u>26.3</u>	<u>26.7</u>	<u>28.2</u>	<u>9.1</u>	<u>10.1</u>	<u>11.0</u>	<u>12.0</u>	<u>12.8</u>
SHAREHOLDERS' EQUITY	<u>\$110.5</u>	<u>\$ 98.0</u>	<u>\$ 90.5</u>	<u>\$ 85.5</u>	<u>\$ 80.5</u>	<u>\$ 83.7</u>	<u>\$ 79.0</u>	<u>\$ 75.3</u>	<u>\$ 70.6</u>	<u>\$ 66.9</u>
Accounted for as follows—										
Capital stock	\$ 21.3	\$ 18.9	\$ 18.7	\$ 17.0	\$ 15.8	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.6
Reinvested earnings	\$ 89.2	\$ 79.1	\$ 71.8	\$ 68.5	\$ 64.7	\$ 68.0	\$ 63.3	\$ 59.6	\$ 54.9	\$ 51.3
NUMBER OF SHARES OUTSTANDING (000 Omitted)	8,510	8,319	8,308	8,174	8,078	8,077	8,073	8,073	8,073	8,069
NUMBER OF SHAREHOLDERS	7,797	8,474	9,191	10,518	11,748	11,305	11,158	11,241	10,895	10,053
CAPITAL EXPENDITURES	\$ 25.8	\$ 24.4	\$ 13.8	\$ 14.5	\$ 16.3	\$ 15.3	\$ 18.3	\$ 10.6	\$ 14.7	\$ 13.9

Ten Year Statement of Earnings (dollars in millions)

For the fiscal years ended March:	1975	1974*	1973	1972	1971	1970	1969	1968*	1967	1966
SALES	<u>\$1,649.5</u>	<u>\$1,320.7</u>	<u>\$1,112.2</u>	<u>\$953.7</u>	<u>\$768.5</u>	<u>\$651.6</u>	<u>\$602.9</u>	<u>\$584.2</u>	<u>\$543.5</u>	<u>\$513.7</u>
COST OF GOODS SOLD AND EXPENSES										
Cost of goods sold and expenses except those shown below	\$1,387.7	\$1,111.0	\$ 933.6	\$801.1	\$644.0	\$530.3	\$492.6	\$480.4	\$452.3	\$428.4
Employees' salaries and benefits	200.5	161.7	140.7	115.0	101.1	86.4	76.5	69.5	61.3	53.8
Depreciation	12.3	10.8	10.1	9.4	8.6	7.9	6.8	6.7	6.0	5.9
Municipal taxes	8.9	7.9	7.8	6.8	6.4	5.4	5.1	4.7	4.0	3.6
Interest on long-term debt	2.4	2.3	2.3	2.4	1.0	.5	.5	.6	.6	.6
Other interest	2.0	.6	.2	.2	1.0	1.1	.3	.1	—	—
Investment income .....	.6	.4	.3	.3	.3	.3	.3	.3	.4	.3
	<u>\$1,613.2</u>	<u>\$1,293.9</u>	<u>\$1,094.4</u>	<u>\$934.6</u>	<u>\$761.8</u>	<u>\$631.3</u>	<u>\$581.5</u>	<u>\$561.7</u>	<u>\$523.8</u>	<u>\$492.0</u>
EARNINGS BEFORE TAXES										
ON INCOME	\$ 36.3	\$ 26.8	\$ 17.8	\$ 19.1	\$ 6.7	\$ 20.3	\$ 21.4	\$ 22.5	\$ 19.7	\$ 21.7
Per dollar of sales	2.20¢	2.03¢	1.60¢	2.00¢	.87¢	3.12¢	3.55¢	3.86¢	3.63¢	4.21¢
TAXES ON INCOME	\$ 19.2	\$ 13.5	\$ 8.5	\$ 9.5	\$ 3.4	\$ 11.0	\$ 11.9	\$ 12.0	\$ 10.3	\$ 11.0
Per dollar of sales	1.16¢	1.02¢	.76¢	1.00¢	.44¢	1.69¢	1.97¢	2.06¢	1.90¢	2.14¢
MINORITY INTEREST	\$.1	—	—	—	—	—	—	—	—	—
Per dollar of sales .....	.01¢	—	—	—	—	—	—	—	—	—
NET EARNINGS	\$ 17.0	\$ 13.3	\$ 9.3	\$ 9.6	\$ 3.3	\$ 9.3	\$ 9.5	\$ 10.5	\$ 9.4	\$ 10.7
Per dollar of sales	1.03¢	1.01¢	.84¢	1.00¢	.43¢	1.43¢	1.58¢	1.80¢	1.73¢	2.07¢
Per share	\$ 2.02	\$ 1.60	\$ 1.12	\$ 1.18	\$.41	\$ 1.15	\$ 1.17	\$ 1.30	\$ 1.16	\$ 1.32
DIVIDENDS	\$ 6.9	\$ 5.9	\$ 5.9	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8
Per share	82¢	72¢	72¢	72¢	72¢	72¢	72¢	72¢	72¢	72¢
NUMBER OF EMPLOYEES										
—full time	11,907	11,054	11,194	10,498	10,381	9,664	9,231	9,066	8,766	8,437
—part time	12,844	11,580	11,319	10,684	10,230	8,706	7,935	7,798	7,587	8,125
	<u>24,751</u>	<u>22,634</u>	<u>22,513</u>	<u>21,182</u>	<u>20,611</u>	<u>18,370</u>	<u>17,166</u>	<u>16,864</u>	<u>16,353</u>	<u>16,562</u>
STORES OPENED	13	12	4	19	18	20	17	13	23	26
STORES CLOSED	16	19	6	13	19	11	9	12	20	29
STORES AT YEAR END	391	394	401	403	397	398	389	381	380	377
GROUND FLOOR AREA IN SQUARE FEET (000)	6,518	6,254	6,060	5,990	5,730	5,606	5,270	5,204	4,993	4,765

*53 Weeks



Dominion Stores Limited

Incorporated under the laws of Canada

Head Office:

605 Rogers Road, Toronto, Ontario
M6M 1B9 (416) 652-2000

District Offices:

St. John's, Nfld.	Toronto, Ont.
Halifax, N.S.	Hamilton, Ont.
Saint John, N.B.	Windsor, Ont.
Quebec, Que.	Sudbury, Ont.
Montreal, Que.	Winnipeg, Man.
Ottawa, Ont.	

Board of Directors—

Affiliations

JOHN A. McDOUGALD

Chairman of the Board and Chairman of the Executive Committee—
Dominion Stores Limited

Chairman of the Board and President—
Argus Corporation Limited

Chairman of the Executive Committee and Vice-President—
Hollinger Mines Limited

Chairman of the Executive Committee and Director—
Massey-Ferguson Limited

Director and member of the Executive Committee—
Canadian Imperial Bank of Commerce

THOMAS G. McCORMACK

Vice-Chairman and Chief Executive Officer—
Dominion Stores Limited

Director—
Argus Corporation Limited
Crown Trust Company

THOMAS G. BOLTON

President—
Dominion Stores Limited

LEWIS H. M. AYRE

Chairman of the Board and President—
Ayre and Sons Limited

Chairman of the Board—
Northlantic Fisheries Limited
The Newfoundland Telephone Co. Limited

Director—
The Bank of Nova Scotia

ALEX E. BARRON

Chairman of the Board—
Canadian Tire Corporation Limited

Director—
London Life Insurance Company
The Canada Trust Company

STEWART G. BENNETT

Corporate Director

GEORGE M. BLACK, Jr.

Vice-President—
Argus Corporation Limited

PIERRE PAUL DAIGLE

Vice-President—
City National Leasing Limited

Director—
RCA Limited
Confederation Life Insurance Company
Goodyear Canada Inc.
International Paints (Canada) Limited

A. BRUCE MATTHEWS

Director and Chairman of the Executive Committee—
Canada Permanent Trust Company

Executive Vice-President—
Argus Corporation Limited

MAXWELL C. G. MEIGHEN

Chairman of the Board—
Canadian General Investments Limited
Domtar Limited

ANDRE MONAST, O.C.

Partner—
St-Laurent, Monast, Walters & Vallières

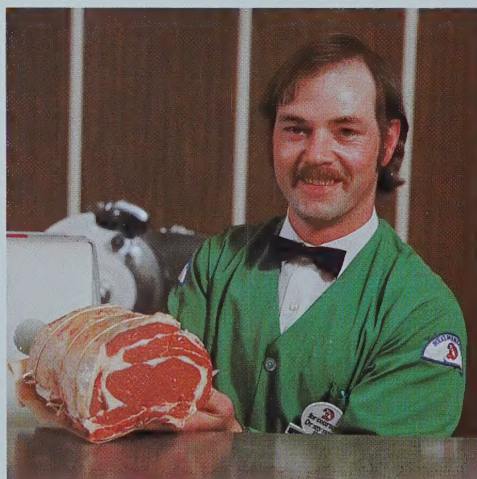
Director—
Canadian Imperial Bank of Commerce
IBM Canada Limited
Noranda Mines Limited
Canada Cement Lafarge Limited

MITCHELL L. WASIK

Secretary—
Dominion Stores Limited

THE AIM of Dominion Stores Limited is to fulfil with ever-increasing efficiency its responsibility as a distributor of food, thereby performing a satisfactory service to the consumer, producer, manufacturer and

processor; to discharge its responsibility to shareholders whose investment make the company possible, and to provide its employees with a satisfactory living under the best possible conditions.



HIGHLIGHTS (unaudited)

(dollars are in thousands)

	For the 13 Weeks Ended		For the 26 Weeks Ended	
	Sept. 20/75	Sept. 21/74	Sept. 20/75	Sept. 21/74
Sales	\$467,378	\$394,889	\$922,827	\$778,233
Per cent increase	18.36%	—	18.58%	—
Earnings before taxes	\$ 9,531	\$ 7,211	\$ 19,430	\$ 15,622
Taxes on income	4,684	3,885	9,746	8,349
Net earnings before minority interest	4,847	3,326	9,684	7,273
Less minority interest	73	81	91	175
Net earnings	4,774	3,245	9,593	7,098
Per dollar of sales	1.02¢	.82¢	1.04¢	.91¢
Per share	56¢	38¢	1.12	.84¢
Dividends paid	\$ 2,638	\$ 1,528	\$ 5,021	\$ 3,868
Per share	31¢	18¢	59¢	46¢

STATEMENT OF SOURCE AND USE OF FUNDS

(thousands of dollars)

	For the 26 Weeks Ended	
	Sept. 20/75	Sept. 21/74
Source of Funds		
Net earnings	\$ 9,593	\$ 7,098
Depreciation	6,807	6,904
Decrease in mortgages and other investments	684	652
Income from investment in effectively controlled Company	(264)	(120)
Disposal of fixed assets	144	1,879
Minority interest	91	868
Shares issued under stock option plan	12	2,198
Other	—	18
	<u>17,067</u>	<u>19,497</u>
Use of Funds		
Investment in fixed assets	12,175	13,606
Dividends paid	5,021	3,868
Long term debt reduction	404	362
	<u>17,600</u>	<u>17,836</u>
Working Capital		
Increase (Decrease) in the 26 weeks	(533)	1,661
Balance—beginning of the year	53,545	27,918
Balance—end of the half year	<u>\$ 53,012</u>	<u>\$ 29,579</u>

For the Board of Directors
THOMAS G. BOLTON,
President

AR39



DOMINION STORES LIMITED, TORONTO, CANADA M6M 1B9

Carroll

INTERIM REPORT

FOR THE 26 WEEKS ENDED
SEPTEMBER 20, 1975



DOMINION

RAPPORT PROVISOIRE
DES 26 SEMAINES TERMINEES
LE 20 SEPTEMBRE 1975



November 18, 1975

To our Shareholders:

We are pleased to report a successful half-year of achievement in the 26 weeks ended September 20, 1975. Sales in the period amounted to \$922,827,000, an increase of almost \$145,000,000 or 18.6 per cent over the same period last year. These record sales were achieved in the face of extremely intense competitive activity in the supermarket industry and are clear evidence that customers recognize your Company's leadership in price and service.

Net earnings in the 26 weeks amounted to \$9,593,000 or \$1.12 per share. Earnings per dollar of sales were 1.04 cents, about the same as in the full fiscal year ended March 22, 1975. This rate of return remains too low in relation to the Company's capital and inventory requirements, and in relation to the need of shareholders to receive a fair return on their investment.

The high rate of inflation continued to be of prime concern and worry to a majority of Canadians through the half-year. Your Company has long been in the forefront of those advocating serious government action on inflation. Dominion will give the fullest support and co-operation to assure success of the Federal government's price and income control guidelines announced October 14. We trust that the Federal authorities will apply to their own operations the same disciplines they have proposed for the country. We trust also, that the other levels of government, private business and organized labour will also subordinate their special interests to this larger national concern.

During the half-year five new large supermarkets were opened and eight smaller, obsolete stores were closed. There were 388 supermarkets operating at September 20, with a total ground floor area of 6,678,322 square feet.

À nos actionnaires

Il nous fait plaisir de faire rapport d'un semestre fructueux en réalisations au cours des 26 semaines terminées le 20 septembre 1975. Les ventes de la période s'élèvent à \$922,827,000, une augmentation de près de \$145,000,000 ou 18.6 pour cent de plus qu'à la période correspondante du dernier exercice. Ces ventes records furent réalisées en dépit d'une activité concurrentielle extrêmement intense dans l'industrie du supermarché et elles constituent preuve manifeste que la clientèle reconnaît la supériorité de votre compagnie en matière de prix et service.

Les bénéfices nets des 26 semaines se chiffrent par \$9,593,000 ou \$1.12 par action. Les bénéfices par dollar de ventes s'établissent à 1.04 cents, environ l'équivalent de ceux de l'exercice entier terminé le 22 mars 1975. Ce taux de rendement demeure trop faible par rapport aux exigences de la compagnie en matière de capitaux et de stocks, ainsi qu'en fonction de la nécessité pour les actionnaires d'obtenir un rendement équitable de leur investissement.

Le taux élevé d'inflation demeura au premier rang des préoccupations et soucis d'une majorité de Canadiens le semestre durant. Depuis longtemps, votre compagnie se tient à l'avant-garde de ceux qui préconisent de sérieuses mesures gouvernementales à l'égard de l'inflation. Dominion accordera sans réserve son appui et sa collaboration en vue d'assurer le succès des directives du gouvernement fédéral en matière de contrôle des prix et revenus, annoncées le 14 octobre. Nous espérons que les autorités fédérales appliqueront à l'exercice de leurs activités propres les disciplines qu'elles ont proposées pour le pays. Nous espérons également que les autres paliers du gouvernement, l'entreprise privée et le travail organisé subordonneront aussi leurs intérêts particuliers à cette plus importante préoccupation nationale.

Au cours du semestre, cinq grands supermarchés nouveaux furent ouverts et huit plus petits et démodés furent fermés. Le 20 septembre, il y avait 388 supermarchés en exploitation et une superficie totale de rez-de-chaussée de 6,678,322 pieds.

POINTS SAILLANTS (non vérifiés)
(les montants en dollars indiquent des milliers)

	Pour les 13 semaines terminées		Pour les 26 semaines terminées	
	le 20/9/75	le 21/9/74	le 20/9/75	le 21/9/74
Ventes	\$467,378	\$394,889	\$922,827	\$778,233
Pourcentage d'augmentation	18.36%	—	18.58%	—
Bénéfices avant impôts	\$ 9,531	\$ 7,211	\$ 19,430	\$ 15,622
Impôts sur le revenu	4,684	3,885	9,746	8,349
Bénéfices nets avant intérêt minoritaire	4,847	3,326	9,684	7,273
Moins intérêt minoritaire	73	81	91	175
Bénéfices nets	4,774	3,245	9,593	7,098
Par dollar de ventes	1.02¢	.82¢	1.04¢	.91¢
Par action	56¢	38¢	\$ 1.12	84¢
Dividendes versés	\$ 2,638	\$ 1,528	\$ 5,021	\$ 3,868
Par action	31¢	18¢	59¢	46¢

ÉTAT DE LA PROVENANCE ET DE L'AFFECTATION DES FONDS
(en milliers de dollars)

	Pour les 26 semaines terminées	
	le 20/9/75	le 21/9/74
Provenance des fonds		
Bénéfices nets	\$ 9,593	\$ 7,098
Amortissement	6,807	6,904
Diminution des hypothèques et autres placements	684	652
Revenu de placement dans une compagnie à participation majoritaire	(264)	(120)
Vente d'immobilisations	144	1,879
Intérêt minoritaire	91	868
Action émises en vertu du plan d'option	12	2,188
Autres	—	18
	<u>17,067</u>	<u>19,497</u>

Affectation des fonds

Investissement en immobilisations	12,175	13,606
Dividendes versés	5,021	3,868
Réduction de dette à long terme	404	362
	<u>17,600</u>	<u>17,836</u>

Fonds de roulement

Augmentation (Diminution) durant les 26 semaines	(533)	1,661
Solde—au début de l'exercice	53,545	27,918
Solde—à la fin du semestre	<u>\$53,012</u>	<u>\$29,579</u>

Au nom du conseil d'administration
Le Président
THOMAS G. BOLTON